

Minneapolis Community Development Agency

Request for City Council Action

Date: May 20, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Refer to: MCDA Board of Commissioners

Prepared by: Darrell Washington, Phone 612-673-5174

Presented by: Darrell Washington, Project Coordinator, Phone 612-673-5174

Approved by: Lee Sheehy, MCDA Executive Director
Chuck Lutz, MCDA Deputy Executive Director _____

**Subject: Modification #1 to the Heritage Park Tax Increment Finance Plan;
Bonding and Pledge Agreement Authorization; Appropriation
Authorization; and Related Financial Matters**

Previous Directives: On July 31 1998, the City Council approved a resolution affirming a special law approved by the Minnesota Legislature in 1997 relating to the establishment of a housing transition tax increment district. On July 30, 1999, the City Council approved the Near North Community Redevelopment Plan. On June 22, 2001, the City Council and MCDA Board approved the Hollman Transition TIF Plan, Modification No. 13 to the Grant Urban Renewal Plan, and Modification No. 84 to the Common Development Tax Increment Finance Plan. On December 28, 2001, the City Council and MCDA Board approved Modification No. 14 to the Grant Urban Renewal Plan, and Modification No. 87 to the Common Plan to allow certain properties to be placed in acquisition status. On March 21, 2003 the City Council and MCDA Board approved Modification No. 1 to the Near Northside Redevelopment Plan placing Prince of Glory Church in acquisition status and renaming the Near North Community Redevelopment Plan to Heritage Park Redevelopment Plan.

Ward: 5

Neighborhood Group Notification: Northside Residents Redevelopment Council;
Harrison Neighborhood Association

Crown Roller Mill,
105 Fifth Ave. S., Suite 200
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Consistency with *Building a City That Works*: Consistent with Goal 2 – Ensure that an array of housing choices exists to meet the needs of our current residents and attract new residents to the city.

Comprehensive Plan Compliance: Complies

Zoning Code Compliance: Complies

Impact on MCDA Budget: (Check those that apply).

- ☐ No financial impact
- ☒ Action requires an appropriation increase to the MCDA Budget
- ☒ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

Living Wage / Business Subsidy: Not Applicable.

Job Linkage: Not Applicable.

Affirmative Action Compliance: Not Applicable.

RECOMMENDATION:

City Council Recommendation: Approve the attached resolutions relating to the Heritage Park Project which (1) adopt Modification No. 1 to the Heritage Park Housing Transition Tax Increment Finance Plan, (2) authorize the sale and issuance of up to \$6,900,000 in tax-exempt general obligation tax increment bonds, (3) authorize a tax increment pledge agreement between the City and the Minneapolis Community Development Agency to support such bonds, and (4) waive the City 3.0% administrative fee on capital costs paid with bond proceeds.

Amend the MCDA 2003 Appropriation Resolution to establish an appropriation in Fund AHP (Heritage Park Tax-Exempt) of \$6,900,000, and establish a 2003 revenue budget (3910-01, bond proceeds) of \$6,900,000.

MCDA Board Recommendation: Approve the attached resolutions relating to the Heritage Park Project which (1) adopt Modification No. 1 to the Heritage Park Housing Transition Tax Increment Finance Plan, and (2) authorize a tax increment pledge agreement between the City and the Minneapolis Community Development Agency to support the above referenced bonds.

Project Background

The Heritage Park Project, formerly known as the Hollman Project, is a 145-acre redevelopment project in the Near North and Sumner-Glenwood neighborhoods of Minneapolis. The project is generally bounded by I-94 on the east, Glenwood Avenue North on the south, Girard Avenue North on the west, and 7th Street North on the north. The project will result in approximately 900 new housing units replacing the former

Sumner, Olson, Glenwood, and Lyndale family public housing developments that have been demolished over the last several years.

The Heritage Park Project is being implemented in four phases, with the first two phases located on the north side of Olson Memorial Highway and the third and fourth phases located on the south side of Olson Memorial. Phase 1 rental development is currently underway and will result in the construction of 232 rental units in 41 different buildings. The infrastructure and site preparation work for both the rental and for-sale components of the project is anticipated to be completed by the end of 2003 for Phase 1 and by the end of 2004 for Phase 2. McCormack Baron & Associates of St. Louis is the master developer for the rental component of the project and is partnered with the local firm of Legacy Management and Development Corporation.

Of the approximately 900 new housing units to be constructed between 2002 and 2008, 440 units will be mixed-income rental units, 360 will be for-sale housing, and 100 units will be reserved for senior public housing. Of the 440 rental units, 200 of these units will be dedicated to family public housing (families at or below 30% of area median income), 90 units will be constructed using tax-credit financing (for families at or below 50% of area median income), and the remaining 150 units will be offered at market-rate rent levels. Of the approximately 360 ownership units, 15% (approximately 55 units) will be affordable to families with incomes less than 60% of area median income and another 15% will be affordable to persons between 60%–80% of area median income.

Tax Increment Financing

On June 28, 2001 the City Council and MCDA Board approved the establishment of the Hollman Housing Transition Tax Increment Financing District (the “TIF District”) and Plan (the “TIF Plan”). The TIF District was established pursuant to the Laws of Minnesota 1997, Chapter 231, Article 10, Sections 17-20 (the “Housing Transition Act”).

It was anticipated that tax increment financing would provide a portion of the public assistance needed for the overall redevelopment project. A sources & uses schedule is attached as Exhibit A to this report. Specifically, tax increment financing assistance would be provided through the City’s issuance of general obligation tax increment bonds in one or more series over the next several years.

Modification No. 1 to the TIF Plan

Subsequent to approval of the TIF District, the project was renamed from the Hollman Project to the Heritage Park Project. The purpose of Modification No. 1 to the TIF Plan (attached) is to (1) document the name change from the Hollman Housing Transition Tax Increment Finance Plan and District to the Heritage Park Housing Transition Tax Increment Finance Plan and District, (2) make slight adjustments to the TIF budget and bonded indebtedness amount, and (3) correct an administrative error in the preparation of the original TIF Plan.

Bonding Authority

It is also requested that the City Council authorize the sale and issuance of up to \$6,900,000 in tax-exempt general obligation bonds to be issued by the City this summer. Proceeds of the bonds will be used to (1) pay for public infrastructure and other redevelopment costs of the project (\$5,900,000), (2) fund capitalized interest (approximately \$870,000), and (3) pay for costs associated with the issuance of the bonds (approximately \$130,000).

Debt service on the bonds will be 100% paid with capitalized interest funds and tax increment collections from the TIF District. The bonds were sized based on the projected tax increment generated by all of the 240 taxable rental housing units and the projected 167 taxable home ownership units that will be constructed in Phases 1 and 2. The City's Finance Department has reviewed cash flow projections prepared by the Agency for the TIF District and has concluded that such bonding is financially sound. An additional tax increment bond issue may be issued in future years which will be supported by tax increment generated by the remaining home ownership units to be constructed in Phases 3 and 4. Additional bonding authority will be necessary at that time.

Approval from both the City Council and MCDA Board is requested in order for the City and Agency to enter into a tax increment pledge agreement to support these bonds. An amendment to the 2003 MCDA Appropriation Resolution is also necessary in order for bond proceeds to be expended as described above.

City 3.0% Administrative Fee

It is being requested that the City waive the 3.0% administrative fee it normally collects in bond transactions. The City is a party to the Hollman Consent Decree and the waiver is necessary to maximize the funds available to accomplish the requirements of the decree.

Exhibit A HERITAGE PARK – Sources and Uses Summary

USES

	<u>Spent</u>	<u>Future</u>	<u>Total</u>
<u>Planning, Site Prep, Infrastructure</u>			
Predevelopment & Master Planning	\$2,338,000	\$0	\$2,338,000
Open Space & Public Infrastructure Planning/Design	\$1,952,000	\$0	\$1,952,000
City Project Management	\$253,000	\$990,000	\$1,243,000
Former Public Housing Demolition	\$8,632,852	\$1,045,000	\$9,677,852
Former Public Housing Resident Disposition/Relocation	\$20,000,000	\$0	\$20,000,000
Private Site Acquisition for Rental (North of 4th Ave. N)	\$1,250,000	\$400,000	\$1,650,000
Private Site Acquisition for Ownership (North of 4th Ave. N)	\$0	\$900,000	\$900,000
Private Site Acquisition for VWMB (South of 4th Ave. N)	\$3,100,000	\$2,900,000	\$6,000,000
Contamination Remediation (North of 4th Ave. N)	\$1,604,000	\$500,000	\$2,104,000
Land Preparation	\$3,235,000	\$500,000	\$3,735,000
Public Infrastructure & Open Space Construction	\$14,564,000	\$23,570,000	\$38,134,000
VWMB Construction Related Activities (South of 4th Ave. N)	\$150,000	\$14,580,000	\$14,730,000
Olson Memorial Highway Re-alignment	\$68,000	\$5,100,000	\$5,168,000
Interest Payments on Section 108 Loan	\$119,000	\$170,000	\$289,000
Subtotal	\$57,265,852	\$50,655,000	\$107,920,852
<u>Housing Development (Rental Development)</u>			
Construction	\$32,671,837	\$14,559,000	\$47,230,837
Financing	\$2,263,602	\$996,400	\$3,260,002
Construction Interest	\$1,351,000	\$330,000	\$1,681,000
Marketing, Reserves, Misc.	\$2,095,633	\$914,600	\$3,010,233
Developer Fees	\$3,416,000	\$1,550,000	\$4,966,000
Contingency	\$345,000	\$150,000	\$495,000
Subtotal	\$42,143,072	\$18,500,000	\$60,643,072
<u>Housing Development (For-Sale Development)</u>			\$0
Construction		\$61,100,000	\$61,100,000
Financing			\$0
Construction Interest			\$0
Marketing, Reserves, Misc.			\$0
Developer Fees			\$0
Contingency			\$0
Subtotal	\$0	\$61,100,000	\$61,100,000

Grand Total

LEVERAGE

Leverage of Hollman Funds	12.4
Leverage of State and Regional Funds	8.3
Leverage of All Federal Funds	2.4
Leverage of Hennepin County Funds	23.9
Leverage of City Capital Improvement Funds	22.0
Leverage of All Local Funds	2.9
Leverage of Private Housing Funds	2.3

SOURCES

	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>
<u>Federal</u>			
Federal DOT – BCV Segment	\$10,000,000	\$0	\$10,000,000
TEA-21 & AHED	\$1,950,000	\$0	\$1,950,000
EPA	\$100,000	\$0	\$100,000
Hollman Replacement Funds	\$17,085,000	\$0	\$17,085,000
MPHA (Phase I-IV) Housing Comp Grant Funds	\$1,191,000	\$0	\$1,191,000
MPHA (Wick Drain Reimbursement)	\$870,000	\$0	\$870,000
Other HUD Funds	\$17,622,000	\$0	\$17,622,000
Other Federal Funds (Hope 6 Senior Public Housing)	\$12,236,000	\$0	\$12,236,000
Other Federal Funds (Hope 6 Site Prep/Infrastructure)	\$1,964,000	\$0	\$1,964,000
Other Federal Funds (Olson Highway)	\$0	\$4,418,000	\$4,418,000
Other Federal Funds (Housing)	\$0	\$0	\$0
Subtotal	\$63,018,000	\$4,418,000	\$67,436,000
<u>State & Regional</u>			
State Bond Funds for the Empowerment Zone	\$2,900,000	\$2,900,000	\$5,800,000
Metropolitan Council - Livable Communities	\$3,850,000	\$0	\$3,850,000
Metropolitan Council - Water Quality	\$100,000	\$0	\$100,000
Metropolitan Council - Environmental	\$252,730	\$0	\$252,730
MnDTEd - Environmental Clean-up Funds	\$250,000	\$0	\$250,000
MHFA (Deferred Loan)	\$4,183,994	\$550,000	\$4,733,994
MHFA (First Mortgage)	\$4,000,000	\$4,073,000	\$8,073,000
Other State & Regional Funds (VWMB South of Glenwood)	\$0	\$1,180,000	\$1,180,000
Other State & Regional Funds (Housing)	\$0	\$550,000	\$550,000
Subtotal	\$15,536,724	\$9,253,000	\$24,789,724
<u>Hennepin County</u>			
Hennepin County (Environmental Response Fund)	\$350,000	\$369,000	\$719,000
Hennepin County (Bridge Construction)	\$7,800,000	\$0	\$7,800,000
Hennepin County (Housing Funds)	\$450,000	\$254,400	\$704,400
Subtotal	\$8,600,000	\$623,400	\$9,223,400
<u>Local</u>			
City Capital Improvement Program	\$6,384,000	\$3,616,000	\$10,000,000
Tax Increment Bond Proceeds	\$8,120,000	\$0	\$8,120,000
Special Assessment Bond Proceeds	\$9,250,000	\$0	\$9,250,000
Public Works Water and Sewer Funds	\$1,545,000	\$1,000,000	\$2,545,000
Middle Mississippi Watershed Levy	\$2,000,000	\$2,500,000	\$4,500,000
Empowerment Zone (Master Plan/Predevelopment)	\$1,425,000	\$0	\$1,425,000
Empowerment Zone (Phase II Site Prep)	\$725,000	\$525,000	\$1,250,000
Empowerment Zone (Phase 2 Rental Housing)	\$500,000	\$0	\$500,000
MCDA Housing Funds (MF Rental & Coop. Funds)	\$3,065,800	\$750,000	\$3,815,800
MCDA Housing Funds (Tax Exempt HRB)	\$11,500,000	\$0	\$11,500,000
McKnight Foundation	\$150,000	\$0	\$150,000
Minneapolis Foundation			
Family Housing Fund	\$3,180,000	\$0	\$3,180,000
MBA Reimbursement to City	\$678,000	\$0	\$678,000
Other Local Funds (ROW & Site Prep. Acquisitions)	\$0	\$1,400,000	\$1,400,000
Subtotal	\$48,522,800	\$9,791,000	\$58,313,800
<u>Private Sources</u>			
Market Rate Debt - For Sale Development	\$0	\$55,800,000	\$55,800,000
Private Debt - Rental Development			\$14,101,000
Subtotal			\$69,901,000
Grand Total			229,663,924

Adopting Modification No 1 to the Heritage Park (formerly Hollman) Housing Transition Tax
Increment Finance (TIF) Plan

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

Section 1. Recitals.

1.01. That the Minneapolis Community Development Agency (the "Agency") is the Housing and Redevelopment Authority of and for the City of Minneapolis (the "City") with the authority to propose and implement redevelopment projects and tax increment financing districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.047, and 469.174 through 469.179, as amended; Laws of Minnesota 1971, Chapter 677, as amended; Laws of Minnesota 1980, Chapter 595, as amended; and Minneapolis Code of Ordinances, Chapter 422, as amended (collectively, the "Laws").

1.02. That by Resolution No. 01R-251 duly adopted on June 22, 2001 the City approved the creation of the Heritage Park (formerly Hollman) Housing Transition Tax Increment Finance Plan.

1.03 The Agency has caused to be prepared, and this Council has investigated the facts with respect thereto, a proposed Modification No 1 to the Heritage Park (formerly Hollman) Housing Transition TIF Plan (the "Modification No 1"), documenting a name change to reflect the new name of the housing development, documenting slight adjustments to the TIF budget and bonded indebtedness amount, and the correction of an administrative error in the preparation for the original TIF Plan.

1.04. The Agency and the City have performed all actions required by law to be performed prior to the adoption of the Modification No1, including, but not limited to, a review of the proposed Modification No 1 by the affected neighborhood groups and the Planning Commission, transmittal of the proposed Modification No 1 to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing upon published and mailed notice as required by law.

Section 2. Findings for the Adoption of the Modification.

2.01. The Council finds, determines and reaffirms the findings made in Resolution 01R-251 on June 22, 2001.

2.02. The Council further finds, determines, and declares that the Modification No 1 conforms to the general plan for the development or redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Modification No 1 were issued and are incorporated herein by reference, and are on file in the office of the City Clerk.

2.03. The Council further finds, determines and declares that the objectives and actions authorized by the Modification No 1 are all pursuant to and in accordance with the Laws.

2.04. The Council further finds, determines and declares that it is necessary and in the best interest of the City at this time to approve the Modification No 1.

Section 3. Approval of the Modification.

3.01. Based upon the findings set forth in Section 2 hereof, the Modification No 1 presented to the Council on this date is hereby approved and shall be placed onfile in the office of the City Clerk.

Section 4. Implementation of the Modification.

4.01. The officers and staff of the City and the Agency and the City's and the Agency's consultants and counsel are authorized and directed to proceed with the implementation of the Modification No 1, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further plans, resolutions, documents and contracts necessary for this purpose.

Authorizing the sale and issuance of the General Obligation Tax Increment Bonds, Series 2003B (Heritage Park), of the City of Minneapolis and providing the form, terms, pledge of tax increment revenues and findings, covenants, and directions relating to such obligations

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

SECTION 1. AUTHORIZATION, FINDINGS AND DEFINITIONS

1.01. The Project. The Minnesota Legislature enacted special legislation designated as Laws of Minnesota 1997, Chapter 231, Article 10, Sections 17-20 (the “Special Law”) relating to the establishment of a housing transition tax increment financing district in an area of the City of Minneapolis (the “City”) that is the subject of a federal consent decree in an action entitled *Hollman v. Cisneros*. By Resolution No. 99R-261, the City Council of the City approved the Near Northside Community Redevelopment Plan with respect to the land described in the Special Law (the “Heritage Park Project”). The Heritage Project is generally bounded by I-94 on the east, Glenwood Avenue North on the west, and 7th Street North on the north. The Heritage Project will result in approximately 900 new housing units replacing the former Sumner, Olson, Glenwood and Lyndale family public housing developments that have been demolished over the last several years.

The Heritage Park Project is being implemented in four phases, with the first two phases located on the north side of Olson Memorial Highway and the third and fourth phases located on the south side of Olson Memorial Highway. Phase 1 rental development is currently underway and will result in the construction of 232 rental units in forty-one different buildings. Completion of the infrastructure and site preparation work is anticipated by the end of 2003 for Phase 1 and by the end of 2004 for Phase 2. Out of the 900 new housing units to be constructed in the Heritage Park Project between 2002 and 2008, 440 units will be mixed income rental units, 360 will be for-sale housing, and 100 units will be reserved for senior public housing. Out of the 440 rental units, 200 of these units will be dedicated to family public housing (families at or below 30% of area median income), 90 units will be constructed using tax-credit financing (for families at or below fifty percent of area median income), and the remaining 150 units will be offered at market-rate rent levels. Out of the approximately 360 ownership units, fifteen percent (approximately 55 units) will be affordable to families with incomes less than sixty percent of area median income and another fifteen percent will be affordable to persons between sixty percent and eighty percent of area median income.

1.03. The Finance Plan. Pursuant to Resolution No. 2001R-251 adopted by the City Council of the City on June 22, 2001, and approved by the Mayor of the City on June 28, 2001, the Hollman Housing Transition Tax Increment Financing District (the “Hollman District”) was established and the Hollman Housing Transition Tax Increment Financing Plan (the “Plan”) was approved pursuant to the terms of the Special Law and applicable provisions of Minnesota

Statutes, Section 469.174-469.179, as amended (the “Tax Increment Act”). The Hollman District was later renamed the Heritage Park Housing Transition Tax Increment Finance District (the “District”). It has been anticipated that tax increment financing would provide a portion of the public assistance needed for the overall redevelopment of the Heritage Park Project and the District. Specifically, tax increment financing assistance would be provided through the City’s issuance of general obligation tax increment bonds in one or more series.

The City is proposing to issue bonds for the District, to be designated the General Obligation Tax Increment Bonds, Series 2003B (Heritage Park) (the “Series 2003B Bonds” or the “Bonds”) in the aggregate principal amount of \$6,900,000 to be applied to the following purposes: (i) to pay the costs of public infrastructure and other redevelopment costs of the District; (ii) to fund interest on the Bonds; and (iii) to pay the costs of issuing the Bonds.

Payment of the principal of, premium, if any, and interest on the Bonds will be secured by the full faith and credit of the City and, to the extent necessary for this purpose, the City will levy taxes on all taxable property in the City without limitation as to rate or amount to pay the principal of, premium, if any, and interest on the Bonds when due. The Bonds are expected to be paid from net tax increment revenues derived from the District (the “Tax Increment Revenues”).

1.04. Authority. The City is authorized to issue the Bonds to finance the public redevelopment costs of the District and to apply the Tax Increment Revenues and other revenues to the payment thereof under Minnesota Statutes, Section 469.178, as amended, and Minnesota Statutes, Chapter 475, as amended. Pursuant to the terms of Minnesota Statutes, Section 475.58, subdivision 1, as amended, no election is required because the City Council has determined, and hereby affirms, that not less than twenty percent of the public redevelopment costs for the development and redevelopment of the District is estimated to be received from the Tax Increment Revenues.

1.05. Definitions. Unless the context otherwise requires, the terms defined in Section 1.01-1.04 of this Resolution and in this Section 1.05 shall, for all purposes of this Resolution and any resolution supplemental hereto, have the meanings herein specified, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined:

“Act” means Minnesota Statutes, Chapter 475, as amended.

“Code” means the Internal Revenue Code of 1986, as amended, and such term also includes any Treasury Regulations promulgated thereunder.

“Holder”, “Bondholder” or “owner” means the person in whose name a Bond is registered.

“Letter of Representations” means the Blanket Letter of Representations from the City to Depository Trust Company, New York, New York.

“Pledge Agreement” means the Pledge Agreement to be entered into between the Agency and the City with respect to the issuance of the Bonds.

“Resolution” means this resolution authorizing the issuance of the Bonds, as this resolution may be amended or supplemented from time to time.

SECTION 2. TERMS AND FORM OF BONDS.

2.01. Bond Terms. It is hereby determined to be necessary and expedient to issue the Bonds to finance the costs referred to in Section 1.03 of this Resolution. The Bonds shall be designated “General Obligation Tax Increment Bonds, Series 2003B (Heritage Park).” The Bonds shall be issued in one or more series as the Finance Officer may determine. The Bonds shall be dated the date of issue or shall be dated such other date as the Finance Officer may determine, shall be issued in denominations of \$5,000 or any integral multiple thereof, and each series shall be numbered from R-1 upwards in order of issuance, or with such other numbering and in such other order as the Bond Registrar may determine. The Bonds shall be issued in the original aggregate principal amount of \$6,900,000, or such lesser amount as the Finance Officer shall determine to be necessary and appropriate to finance the costs for which the Bonds are to be issued. The Bonds shall bear interest at the rates per annum approved by the Finance Officer and shall be payable semiannually on March 1 and September 1 of each year, or on such other dates determined by the Finance Officer, commencing on March 1, 2004, or such other date determined by the Finance Officer, from the date of the Bonds or the most recent interest payment date to which interest has been paid or duly provided for, computed on the basis of a 360-day year of twelve thirty-day months. The Bonds shall mature on such dates and in such principal amounts as shall be determined by the Finance Officer, consistent with the requirements of Section 475.54, subdivisions 1 and 17, of the Act (determined, if necessary, by combining such maturities with those of other general obligation bonds of the City). The Finance Officer may determine to designate any portion of the principal of the Bonds to be combined within one or more term Bonds subject to mandatory sinking fund redemptions in the years and amounts determined by the Finance Officer.

The Finance Officer shall establish the dates on and after which the Bonds shall be subject to redemption and prior payment, in whole or in part, at the option of the City. The redemption prices of the Bonds shall be such redemption prices, with or without premium, as the Finance Officer shall determine necessary to obtain the lowest interest rates for each series of Bonds consistent with the amended finance plan pursuant to which each series of Bonds is to be issued.

Thirty days prior to any redemption date, notice of any such redemption shall be given by mail to the registered owners in accordance with the terms of the Act and the terms of the Bonds. In the event of a partial redemption by lot of Bonds, the Bond Registrar shall assign to each Bond then outstanding a distinctive number for each \$5,000 of the principal amount of such Bonds and shall select by lot in the manner it determines the order of numbers, at \$5,000 for each number, for all outstanding Bonds of the series and maturity to be redeemed. The order of selection of Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. Upon partial redemption of any Bond, the same shall be surrendered in exchange for one or more new Bonds in authorized form for the unredeemed portion of principal.

2.02. Method of Payment; Bond Registrar and Paying Agent. The Bonds shall be payable as to principal upon presentation and surrender thereof at the office of the Finance Officer, in Minneapolis, Minnesota, as initial Bond Registrar and Paying Agent, or at the offices of such other successor paying agents as the City may hereafter designate upon sixty days' mailed notice to the registered owners at their respective registered addresses. At the written request of the registered owner thereof, or at the direction of the Finance Officer, the payment of at least \$100,000 in principal amount of Bonds shall be made by wire transfer of immediately available funds to any bank in the continental United States upon presentation and surrender of such Bonds at the office of the Paying Agent. Interest shall be paid by check or draft mailed to the registered owners of record as of the fifteenth day (whether or not a business day) of the month next preceding the applicable interest payment date at their addresses shown on the registration books or, at the written request of a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds or at the direction of the Finance Officer, by wire transfer of immediately available funds to any bank in the continental United States as the registered owner may specify.

2.03. Bond Form. The Bonds shall be in substantially the following form, the text of which may be printed on the face or on the back or partially on the face or back, with the necessary variations as to name, series designation, number, CUSIP Number, denomination, rate of interest and date of maturity, the blanks therein to be properly filled in, and with such other additions, deletions, or other changes as the Finance Officer may determine:

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(Form of Bonds)

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN

No. R-_____

\$_____

CITY OF MINNEAPOLIS
GENERAL OBLIGATION TAX INCREMENT BOND
SERIES 2003B
(HERITAGE PARK)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	March 1, 20__	_____, 2003	

Registered Owner: _____

Principal Amount: _____ DOLLARS

The City of Minneapolis (the "City"), in the County of Hennepin and State of Minnesota, for value received, hereby certifies that it is indebted and hereby promises to pay to the registered owner named above or registered assigns, the Principal Amount specified above on the Maturity Date specified above, upon the presentation and surrender hereof, and to pay to the Registered Owner hereof interest on such Principal Amount at the Interest Rate specified above from _____, 2003, or the most recent interest payment date to which interest has been paid or duly provided for as specified below, on March 1 and September 1 of each year, commencing March 1, 2004, until said Principal Amount is paid. Interest shall be computed on the basis of a 360-day year consisting of twelve thirty-day months. Principal and the redemption price is payable in lawful money of the United States of America at the office of the Finance Officer in Minneapolis, Minnesota, as Bond Registrar and Paying Agent, or at the office of such successor agents as the City may designate upon sixty (60) days' notice to the respective Registered Owners at their registered addresses. At the written request of the Registered Owner thereof, payment of at least \$100,000 in principal amount of Bonds shall be made by wire transfer of immediately available funds to any bank in the continental United States upon presentation and surrender thereof. Interest shall be paid on each interest payment date by check or draft mailed to the person in whose name this Bond is registered at the close of business on the fifteenth day of the month preceding each interest payment date (whether or not a business day) at the Registered Owner's address set forth on the registration books maintained by the Bond Registrar or, at the written request of a Registered Owner of at least \$1,000,000 in

aggregate principal amount of the Bonds, by wire transfer of immediately available funds to any bank in the continental United States. Any such interest not punctually paid or provided for will cease to be payable to the person in whose name this Bond is registered on such regular record dates and such defaulted interest may be paid to the person in whose name this Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest established by the Bond Registrar.

This Bond is one of a series of Bonds all of like date and tenor except for number, interest rate, denomination, date of maturity, and redemption privilege, and is issued pursuant to and in accordance with Minnesota Statutes, Sections 469.174 to 469.179, as amended, and Minnesota Statutes, Chapter 475, as amended (the "Act"), for the purpose of providing part of the funds to finance the public redevelopment costs for the development and redevelopment of a portion of the Heritage Park Housing Transition Tax Increment Finance District (the "District") located in the City.

The Bonds are expected to be paid primarily from collections of tax increment revenues from the District and certain other revenues which may be deposited in the Debt Service Account for the Bonds pursuant to the terms of the resolution authorizing the issuance of the Bonds (the "Bond Resolution"). Such use of tax increment revenues is subordinate to any prior obligations of the City to which such tax increment revenues have been pledged (and which pledge does not recognize or permit parity claims or uses of such tax increment revenues) and such deposit shall be made only to the extent such tax increment revenues are available therefor; but the full faith and credit of the City has been and is hereby pledged to the full and prompt payment of the principal of and interest on the Bonds, and the City Council is obligated to levy ad valorem taxes on all taxable property in the City without limitation as to rate or amount, if necessary, to pay principal and interest when due. The City may pledge or apply such tax increment revenues to existing or future obligations of the City on a parity or priority basis with the Bonds.

Reference is hereby made to the Act and to the Bond Resolution for a description of the tax increment revenues and the other revenues that are expected to pay the debt service on the Bonds. Reference is hereby made to the Act and to the Bond Resolution for a description of the nature of the security thereby created, the rights and limitation of the rights of the City and bondholders with respect thereto, and covenants of the City as to the application of the proceeds of the Bonds and the security for the Bonds and interest thereon.

All Bonds maturing on or after March 1, 2013, are subject to redemption at the option of the City, in whole or in part in such order as the City may determine, on March 1, 2012, and any date thereafter at a redemption price equal to par plus accrued interest to the redemption date. Thirty days' notice of prior redemption will be given by mail to registered owners in the manner provided by applicable provisions of the Act.

The Bonds maturing on March 1, 20__, are subject to mandatory sinking fund redemption on March 1 of the following years in the following principal amounts:

[Redemption Table, if applicable]

The specific Bonds subject to mandatory sinking fund redemption are to be randomly selected by the Registrar. All prepayments of the Bonds subject to mandatory sinking fund redemption shall be redeemed at a redemption price of par plus accrued interest to the redemption date. At the election of the City, Bonds redeemed pursuant to the exercise of any optional redemption may be applied as a credit against any mandatory sinking fund redemption.

This Bond is transferable, as provided in the Bond Resolution, only upon books of the City kept at the office of the Bond Registrar by the registered owner hereof in person or by the registered owner's duly authorized attorney, upon surrender of this Bond for transfer at the office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bond Registrar duly executed by, the registered owner hereof or the registered owner's duly authorized attorney, and, upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, one or more fully registered Bonds of the same principal amount, maturity and interest rate will be issued to the designated transferee or transferees.

The Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount maturing in any one year. As provided in the Bond Resolution and subject to certain limitations therein set forth, the Bonds are exchangeable for a like aggregate principal amount of Bonds of different authorized denominations, as requested by the registered owner or the registered owner's duly authorized attorney, upon surrender thereof to the Bond Registrar.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in regular and due time, form and manner as required by law; and that this Bond, and the series of which it is a part, is within every applicable debt and other limit prescribed by the Constitution and laws of the State of Minnesota and the Charter of the City.

This Bond shall not be valid or become obligatory for any purpose until the Registration and Authentication Certificate hereon shall have been signed by the Bond Registrar.

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In witness whereof, the City, acting by and through its City Council, has caused this Bond to be executed with the facsimile signature of its Mayor, countersigned by the facsimile signature of the Finance Officer, and attested with the facsimile signature of the City Clerk, and a facsimile of the corporate seal of said City to be imprinted hereon, all as of the Date of Original Issue specified above.

Dated: _____

CITY OF MINNEAPOLIS, MINNESOTA

(SEAL)

Attest:

By _____
Mayor

City Clerk

Countersigned:

By _____
Finance Officer

Bond Registrar's Registration and Authentication Certificate

This is one of the Bonds described in the within mentioned Bond Resolution and has been registered as to principal and interest in the name of the Registered Owner identified above on the registration books of the Finance Officer of the City of Minneapolis.

Finance Officer, as Bond Registrar

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please Print or Typewrite Name and Address of Transferee)
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints
_____ attorney to transfer the within Bond on the books kept for
registration thereof, with full power of substitution in the premises.

Dated: _____

Please Insert Social Security Number or
Other Identifying Number of Assignee.

Notice: The signature to this assignment must
correspond with the name as it appears on the
face of this Bond in every particular, without
alteration or any change whatever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the
Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion
Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signatures Program
("MSP") or other such "signature guarantee program" as may be determined by the Registrar in
addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities
Exchange Act of 1934, as amended.

The Registrar will not effect transfer of this Bond unless the information concerning the
assignee requested below is provided.

Name and Address: _____

(Include information for all joint owners if this Bond is
held by joint account.)

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, will be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common

TEN ENT — as tenants by entireties

JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT —
 _____ Custodian _____
 (Cust) (Minor)
 under Uniform Gifts or Transfers to Minors
 Act _____ (State)

Additional abbreviations may also be used though not in the above list.

(The remainder of this page is intentionally left blank)

2.04. Registration. As long as any of the Bonds issued hereunder shall remain outstanding, the City shall maintain and keep at the office of the Bond Registrar a bond register in which the Bond Registrar provides for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged. Upon surrender for transfer of any Bond at the office of a Bond Registrar with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or the registered owner's duly authorized attorney, and upon payment of any tax, fee, or other governmental charge required to be paid with respect to such transfer, the City shall execute and the Bond Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more fully registered Bonds of the same series, of any authorized denominations, and of a like aggregate principal amount, interest rate, and maturity. At the option of the registered owner, upon surrender of a Bond at the office of the Bond Registrar such Bond may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate of any authorized denominations. In all cases in which the privilege of exchanging Bonds or transferring fully registered Bonds is exercised, the City shall execute and the Bond Registrar shall deliver Bonds in accordance with the provisions of this Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, the City or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision of this Resolution, the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the City or the Bond Registrar incurred in connection therewith (except any applicable tax, fee, or other governmental charge) shall be paid by the City. The City and the Bond Registrar shall not be required to make any transfer or exchange of any Bonds called for redemption, nor be obligated to make any such exchange or transfer of Bonds during the fifteen (15) days next preceding the date of the mailing of notice of redemption in the case of a proposed redemption of Bonds.

2.05. Record Dates. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name that Bond (or one or more Bonds for which such bond was exchanged) is registered at the close of business on the fifteenth day of the preceding month. Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date shall forthwith cease to be payable to the registered holder on the relevant regular record date solely by virtue of such holder having been such holder; and such defaulted interest may be paid by the City in any lawful manner, if, after notice given by the City to the Bond Registrar of the proposed payment pursuant to this paragraph, such payment shall be deemed practicable by the Bond Registrar. Such payments shall then be made to the persons in whose names the Bonds are registered at the close of business on a special record date established by the Bond Registrar. Subject to the foregoing provisions of this paragraph, each Bond delivered under this Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange, or substitution.

2.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City shall execute and the Bond Registrar shall authenticate and deliver a new Bond of like maturity and principal amount as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen, or lost, upon filing with the City evidence satisfactory to the City and the Bond Registrar that such Bond has been destroyed, stolen, or lost and proof of ownership thereof, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to them and complying with such other reasonable regulations as the City and the Bond Registrar may prescribe and paying such expenses as the City and the Bond Registrar may incur in connection therewith. All Bonds so surrendered to the Bond Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City.

2.07. Owners. As to any Bond, the City and the Bond Registrar and their respective successors, each in its discretion, may deem and treat the person in whose name the same for the time being shall be registered as the absolute owner thereof for all purposes and neither the City nor the Bond Registrar nor their respective successors shall be affected by any notice to the contrary. Payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

2.08. Use of Securities Depository; Book-Entry Only System. The provisions of this Section shall take precedence over the provisions of Sections 2.01 through 2.07 hereof to the extent they are inconsistent therewith.

(a) The Depository Trust Company ("DTC") has agreed to act as securities depository for the Bonds, and to provide a Book-Entry Only System for registering the ownership interests of the financial institutions for which it holds the Bonds (the "DTC Participants"), and for distributing to such DTC Participants such amount of the principal and interest payments on the Bonds as they are entitled to receive, for redistribution to the beneficial owners of the Bonds as reflected in their records (the "Beneficial Owners").

(b) Initially, and so long as DTC or another qualified entity continues to act as securities depository, the Bonds shall be issued in typewritten form, one for each maturity in a principal amount equal to the aggregate principal amount of each maturity, shall be registered in the name of the securities depository or its nominee, and shall be subject to the provisions of this Section. While DTC is acting as the securities depository, the Bonds shall be registered in the name of DTC's nominee, CEDE & CO; provided that upon delivery by DTC to the City and the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Resolution shall refer to such new nominee of DTC.

With respect to Bonds registered in the name of a securities depository or its nominee, the City and the Bond Registrar shall have no responsibility or obligation to any DTC Participant or other person with respect to the following: (i) the accuracy of the records of any securities

depository or its nominee with respect to any ownership interest in the Bonds; (ii) the delivery to any DTC Participant or other person or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any DTC Participant or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds. The Bond Registrar shall pay all principal of and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal and interest on the Bonds to the extent of the sum or sums so paid. So long as the Book-Entry Only System described in this Section is in effect, no person other than DTC shall receive an authenticated Bond.

(c) Upon receipt by the City and the Bond Registrar of written notice from the securities depository to the effect that it is unable or unwilling to discharge its responsibilities under the Book-Entry Only System, the Bond Registrar shall issue, transfer, and exchange Bonds of the initial series as requested by the securities depository in appropriate amounts, and whenever the securities depository requests the City and the Bond Registrar to do so, the City and the Bond Registrar shall cooperate with the securities depository in taking appropriate action after reasonable notice: (i) to arrange for a substitute depository willing and able, upon reasonable and customary terms, to maintain custody of the Bonds; or (ii) to make available Bonds registered in whatever name or names the Beneficial Owner registering ownership, transferring or exchanging such Bonds shall designate, in accordance with clause (f) or clause (g) below, whichever is applicable.

(d) In the event the City determines that it is in the best interests of the Beneficial Owners that they be able to obtain printed Bonds, the City may so notify the securities depository and the Bond Registrar, whereupon the securities depository shall notify the Beneficial Owners of the availability through the securities depository of such printed Bonds. In such event, the City shall cause to be prepared and the Bond Registrar shall issue, transfer and exchange printed Bonds, fully executed and authenticated, as requested by the securities depository in appropriate amounts and, whenever the securities depository requests, the City and the Bond Registrar shall cooperate with the securities depository in taking appropriate action after reasonable notice to make available printed Bonds registered on the Bond Register in whatever name or names the Beneficial Owners entitled to receive Bonds shall designate, in accordance with clause (f) or clause (g) below, whichever is applicable.

(e) Notwithstanding any other provisions of this Resolution to the contrary, so long as any Bond is registered in the name of a securities depository or its nominee, all payments of principal and interest on the Bond and all notices with respect to the Bond shall be made and given, respectively, to the securities depository as provided in the representation letter given to it by the City. The Letter of Representation is confirmed and shall apply to the Bonds.

(f) In the event that the Book-Entry Only System established pursuant to this Section is discontinued, except as provided in clause (g), the Bonds shall be issued through the securities depository to the Beneficial Owners.

(g) In the event of termination of the Book-Entry Only System, the City shall have the right to terminate, and shall take all steps necessary to terminate, all arrangements with the

securities depository described herein, and thereafter shall issue, register ownership of, transfer and exchange all Bonds as provided herein. Upon receipt by the securities depository of notice from the City, the securities depository shall take all actions necessary to assist the City and the Bond Registrar in terminating all arrangements for the issuance of documents evidencing ownership interests in the Bonds through the securities depository. Nothing herein shall affect the securities depository's rights under clause (e) above.

SECTION 3. EXECUTION AND DELIVERY OF BONDS AND OTHER DOCUMENTS

3.01. Method of Sale. Authority to negotiate the sale and issuance of the Bonds is hereby delegated to the Finance Officer under Section 475.60, subdivision 1, of the Act; provided that the Bonds shall be sold only at a price of not less than ninety-eight percent of the principal amount of such Bonds, and the Bonds shall bear interest at the rates specified by the successful proposal. In connection with the sale of the Bonds, by one or more certificates or other written instruments or documents, the Finance Officer may make such additional covenants or directions as it may deem necessary and expedient, including but not limited to, approval of an Official Statement and of a Continuing Disclosure Certificate. Any unused discount, any premium, and any unused issuance costs shall be deposited in the Debt Service Account or applied to such authorized purposes as determined by the Finance Officer.

3.02. Bonds. The Bonds shall be executed by the respective facsimile signatures of the Mayor, Finance Officer and City Clerk and shall be sealed with a facsimile of the corporate seal of the City as set forth in the form of Bond. The text of the approving legal opinion of Kennedy & Graven, Chartered, of Minneapolis, Minnesota, as bond counsel, shall accompany each Bond. When said Bonds shall have been duly executed and authenticated by the Bond Registrar in accordance with this Resolution, the same shall be delivered to the purchasers in accordance with the terms of the sale upon payment of the purchase price, and the receipt of the Finance Officer to said purchasers thereof shall be a full acquittance; and said purchasers shall not be bound to see to the application of the purchase money. The Bonds shall not be valid for any purpose until authenticated by the Bond Registrar, which is hereby appointed authenticating agent in accordance with the Act.

3.03. Official Statement. The Finance Officer shall cause an Official Statement relating to the Bonds to be prepared, and the use thereof by the purchasers is approved.

3.04. Certificates. The Finance Officer is authorized and directed to furnish to the purchasers at the closing: (i) a certificate that, to the best of the knowledge of such officer, the Official Statement does not, at the date of closing, and did not, as of its date, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (ii) such other certificates as are required as a condition of sale, including a Continuing Disclosure Certificate setting forth the continuing disclosure obligations of the City under applicable law, as approved by the Finance Officer. Unless litigation shall have been commenced and be pending questioning the Bonds or the organization of the City or incumbency of its officers, at the closing, the Finance Officer shall also execute and deliver to the purchasers a suitable certificate as to absence of material litigation, and the Finance Officer shall also

execute and deliver a certificate as to payment for and delivery of the Bonds and, with respect to the Bonds, a certificate meeting the requirements of the arbitrage regulations under Section 148 of the Code. The Finance Officer shall also deliver to the purchasers of the Bonds a signed approving legal opinion of Kennedy & Graven, Chartered, as to the validity and enforceability of the Bonds and, with respect to the Bonds, the exemption of interest thereon from federal and Minnesota income taxation (other than Minnesota corporate franchise and bank excise taxes measured by income) under present laws and rulings.

3.05. Pledge Agreement. The Pledge Agreement is hereby approved and shall be executed in substantially the form on file with the City, with such additions, deletions, and other changes as are approved by the Finance Officer. The Pledge Agreement is to be executed and delivered in order to satisfy the requirements of Minnesota Statutes, Section 469.178, subdivision 2, and Sections 475.58, subdivision 1, and 475.61, subdivision 1, of the Act. The Pledge Agreement creates rights in the City and the Agency but is not intended to create duties or obligations of the City or the Agency to any other persons (including the beneficial or registered owners of the Bonds) with respect to the Tax Increment Revenues or other revenues described or referenced in the Pledge Agreement, and is not intended to create rights in or claims by any other persons (including the beneficial or registered owners of the Bonds) with respect to the Tax Increment Revenues or other revenues described or referenced in the Pledge Agreement.

SECTION 4. APPLICATION OF PROCEEDS; REDEMPTION OF REFUNDED BONDS.

4.01. Appropriation of Funds. The proceeds of the Bonds are hereby appropriated as follows: (i) any accrued interest shall be deposited in the Debt Service Account; (ii) an amount determined by the Finance Officer to pay interest on the Bonds shall be set aside and applied to such purpose; (iii) an amount sufficient to pay the public redevelopment costs proposed to be paid from the proceeds of the Bonds for the development and redevelopment of the District shall be set aside and applied to such purpose; and (iv) an amount sufficient to pay the costs of issuing the Bonds shall be set aside and applied to such purpose. Any remaining proceeds of the Bonds shall be applied to purposes of the City determined and designated by the Finance Officer.

SECTION 5. COVENANTS OF THE CITY.

5.01. Debt Service Account. There is hereby established a Debt Service Account with respect to the Bonds for payment of principal of, premium, if any, and interest on the Bonds. To the extent deemed appropriate and in the best interests of the City, the City will apply the Tax Increment Revenues and other revenues described in Section 1.03 of this Resolution to the payment of the principal of and interest on the Bonds. The Finance Officer shall deposit in the Debt Service Account, from amounts in the accounts which shall be or have heretofore been created for the deposit of Tax Increment Revenues and other revenues to be applied to payment of the Bonds, such Tax Increment Revenues and other revenues as are deemed appropriate and necessary to pay the principal of and interest on the Bonds when due; provided that such use of Tax Increment Revenues is subordinate to any prior obligations of the City to which the Tax Increment Revenues have been pledged (if such pledge does not recognize or permit parity claims or parity uses of such Tax Increment Revenues) and such deposit shall be made only to

the extent such Tax Increment Revenues are available therefor. The City and the Agency may pledge or apply the Tax Increment Revenues to existing or future obligations of the City and the Agency on a parity or priority basis with the Bonds.

5.02. Pledge of Full Faith and Credit; Tax Levies. The full faith and credit of the City are irrevocably pledged for the prompt and full payment of the Bonds and the interest thereon, when due. It is hereby estimated that the Tax Increment Revenues and other revenues to be applied to the payment of the Bonds under Section 5.01 will produce at least five percent (5.00%) in excess of the amount needed to meet when due the principal and interest payments on the Bonds, but the City shall levy, in addition to all other taxes, a direct tax on all taxable property in the City, without limitation as to rate or amount, if necessary to pay such principal and interest when due. Without limiting the foregoing, the City shall levy taxes in each year to the extent estimated collections of Tax Increment Revenues and other revenues to be applied to the payment of the Bonds in the following year, together with available amounts on deposit in the Debt Service Account and other dedicated funds, are insufficient to pay the principal of and interest on the Bonds in such subsequent year and at least five percent in excess thereof.

5.03. Tax Covenant. The City shall not take any action or authorize any action to be taken in connection with the application or investment of the proceeds of the Bonds or any related activity which would cause the Bonds to be deemed to be “private activity bonds”, within the meaning of Section 141 of the Code, or “arbitrage bonds”, within the meaning of Section 148 of the Code. The City shall take all such action as may be required under the Code to ensure that interest on the Bonds is not and does not become includable in gross income for federal income tax purposes.

SECTION 6. MISCELLANEOUS.

6.01. Registration. The City Clerk is hereby authorized and directed to certify a copy of this Resolution and to cause the same to be filed with the Taxpayer Services Division Manager of Hennepin County, exercising the powers of the County Auditor under Section 475.63 of the Act, and to obtain a certificate as to the registration of the Bonds.

6.02 Certification The City Clerk, the Finance Officer, and other officers and employees of the City are hereby authorized and directed to furnish to the attorneys approving the Bonds, on behalf of the purchasers of the Bonds, certified copies of all proceedings and certifications as to facts as shown by the books and records of the City, to show the proceedings taken in connection with the Bonds, and the right and authority of the City to issue the Bonds, and all such certified copies and certifications shall be deemed representations of fact on the part of the City.

6.04. Arbitrage. The City covenants and agrees with the purchasers and holders of the Bonds that the investments of the “gross proceeds” of the Bonds, including the investment of any revenues pledged to the Bonds which are considered “gross proceeds” under Section 148 of the Code, and accumulated sinking funds, if any, shall be limited as to amount and yield in such manner that the Bonds shall not be deemed to be “arbitrage bonds” within the meaning of Section 148 of the Code. On the basis of existing facts, estimates, and circumstances, including

the foregoing findings and covenants, the City Council hereby certifies that it is not expected that the proceeds of the Bonds will be used in such manner as to cause the Bonds to be “arbitrage bonds” under Section 148 of the Code. The Finance Officer shall furnish an arbitrage certificate to the original purchasers of the Bonds embracing or based on the foregoing certification at the time of delivery of the Bonds, and the Finance Officer may make any election permitted under Section 148 of the Code, or under any other provision of the Code, on behalf of the City.

6.05. Effective Date. This resolution shall take effect and be in force from and after its approval and publication.

TAX INCREMENT PLEDGE AGREEMENT
(West Side Milling)

THIS TAX INCREMENT PLEDGE AGREEMENT (the "Agreement") is made and entered into as of _____, 2003, between the CITY OF MINNEAPOLIS, MINNESOTA (the "City"), and the MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY (the "Agency").

WHEREAS, the City is issuing its General Obligation Tax Increment Bonds, Series 2003A (West Side Milling), in the original aggregate principal amount of \$1,725,000 (the "Series 2003A Bonds," or the "Bonds"), to finance certain public redevelopment costs of the Industry Square Redevelopment Project and the West Side Milling District TIF District No. 86, for the purposes described in Resolution No. 2001R-441, passed by the City Council of the City on October 12, 2001, and approved by the Mayor of the City on October 18, 2001; and

WHEREAS, the City and the Agency have established the West Side Milling District TIF District No. 86 (the "District") under Minnesota Statutes, Sections 469.174 to 469.1799, as amended (the "Act"), and predecessor laws;

NOW, THEREFORE, the Agency and the City hereby agree as follows:

1. The tax increment revenues to be derived from the District, in excess of all "administrative expenses" (as defined in Section 469.174, subdivision 14, of the Act) that the Agency elects to pay with such tax increment revenues, are hereby pledged to the payment of principal and interest on the Bonds to the extent necessary to pay such principal and interest when due, subject to any prior pledge of such tax increment to any obligations of the Agency or the City heretofore issued and any future pledges to such obligations as may hereafter be issued.

2. An executed copy of this Agreement shall be filed with the County Auditor of Hennepin County (or the officer of Hennepin County exercising the powers of the county auditor) and shall constitute authority of the City and Agency to apply the tax increment revenues of the District herein referred to as provided in this Agreement.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the City and Agency have caused this Agreement to be duly executed.

CITY OF MINNEAPOLIS, MINNESOTA

By: _____
Mayor

(SEAL)

Countersigned: _____
Finance Officer

City Clerk

Approved as to form:

City Attorney

Execution page of the Agency to the Tax Increment Pledge Agreement .

**MINNEAPOLIS COMMUNITY DEVELOPMENT
AGENCY**

By: _____
Deputy Executive Director

And By: _____
Finance Officer

Approved as to form:

Assistant City Attorney

MN130-107 (JU)
231519v..1

MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY

**Modification No. 1
to the
Heritage Park (formerly Hollman)
Housing Transition Tax Increment
Finance Plan**

April 18, 2003

Prepared by MCDA Project Planning and Finance Department
105 5th Avenue South, Minneapolis, Minnesota 55401

**Modification No. 1 to the Heritage Park (formerly Hollman) Housing
Transition Tax Increment Finance Plan
April 18, 2003**

Introduction

- (1) General Description of Plans for Development ~ *Text Added*
- (2) Description of Parcels to be Included in District ~ *Text Added*
- (3) Most Recent Net Tax Capacity of Parcels included in District ~ *No Changes*
- (4) Budget Containing Estimated Tax Increment Collections
and Expenditures ~ *Text Changed*
- (5) Estimates of the Sources of Revenue ~ *No Changes*
- (6) Statements of the Alternate Estimated Impacts of the District ~ *No Changes*
- (7) Development Activity for Which Contracts have been Signed ~ *Text Added*
- (8) Description of Financing ~ *No Changes*
- (9) Duration of District ~ *No Changes*
- (10) Fiscal Disparities Election ~ *No Changes*
- (11) Original Tax Capacity Rate ~ *No Changes*
- (12) LGA/HACA Penalty Exemption ~ *No Changes*

Exhibits

Exhibit A.....Boundary Map

**Modification No. 1 to the Heritage Park (formerly Hollman) Housing
Transition Tax Increment Finance
Plan
April 18, 2003**

The Hollman Housing Transition Tax Increment Financing District (the TIF District") was established pursuant to the Laws of Minnesota 1997, Chapter 231, Article 10, Sections 17-20 (the "Housing Transition Act"). The City Council of the City of Minneapolis approved the Tax Increment Finance Plan on June 22, 2001 by resolution 01R-251. Minnesota Statutes 469.174 to 469.179 (the "TIF Act") only applies to the TIF District pursuant to sections 17 through 19 of the Housing Transition Act.

The purpose of this Modification is to (1) document a name change from Hollman Housing Transition Tax Increment Finance Plan to the Heritage Park Housing Transition Tax Increment Finance Plan (the name change is being made to reflect the new name of the housing development), (2) make slight adjustments to the TIF budget and bonded indebtedness amount, and (3) correct an administrative error in the preparation of the original TIF Plan (see Description of Parcels to be Included in the District).

(1) General Description of the Plans for Development of the District

The Heritage Park Project will result in 900 new housing units replacing the former Sumner, Olson, Glenwood, and Lyndale family public housing developments. The redevelopment is generally bounded by I-94 on east, Glenwood Ave. on the south, Girard Ave. N on the west, and 7th Street N. on the north.

The Heritage Park Project will be implemented in four phases, with the first two phases located on the north side of Olson Memorial Highway and the third and fourth phases on the south side of Olson. Phase 1 construction activity is currently underway.

Of the nine-hundred (900) new housing units that are envisioned to be constructed between 2001 and 2009, 440 will be rental units and approximately 360 units will provide homeownership opportunities. The housing units will be built for families of a variety of incomes. Of the 440 total rental units, 200 units will be public family housing (for families at or below 30% of area median income) and 90 units will be constructed using tax-credit financing (for families at or below 50% of area median income). The remaining 150 units will be offered at market-rate rent levels. McCormack Baron & Associates of St. Louis is the master developer for the rental project and is partnered with the local firm of Legacy Management and Development Corporation. Entities created by and/or affiliated with McCormack Baron & Associates will construct, own and manage the rental units.

Of the approximately 360 ownership units, 110 will be affordable to families with incomes less than 80% of area median income. An additional 100 units will be built for elderly public housing residents.

(2) Description of the Parcels to be Included in the District

The original TIF plan contained a map of the boundaries of the Heritage Park (formerly Hollman) Housing Transition District. This original map is attached as Exhibit A and clearly illustrates the properties that were intended to be included and excluded from the district. The original TIF plan also specifically listed PID #, address, and owner of each of the properties.

Due to an administrative error in the preparation of the original TIF plan, a number of properties were inadvertently omitted from these two lists. This Modification lists the properties that were inadvertently omitted. The inclusion of these properties in the original lists makes the lists consistent with the original boundary map. Inclusion of these PID #'s does not add or delete any property from the district as originally intended and illustrated.

Properties which are included in the district (per the boundary map), but which were inadvertently omitted in the original TIF plan are listed below.

<u>PIN No.</u>	<u>Address</u>	<u>Owner</u>
21-029-24-14-0047	631 Bryant*	MPHA
21-029-24-41-0019	501 Lyndale	MPHA
21-029-24-42-0006	1024 5 th Ave N.	MPHA
21-029-24-41-0007	421 Aldrich Ave. N.	MPHA
21-029-24-41-0008	800 4 th Ave. N.	MPHA
21-029-24-41-0009	430 Bryant Ave. N.	Minneapolis Area Service Corp.
21-029-24-41-0014	900 4 th Ave. N.	MPHA
21-029-24-42-0007	1101 5 th Ave. N.	MPHA
21-029-24-42-0016	1201 4 th Ave. N.	MPHA
21-029-24-42-0002	1001 4 th Ave. N.	MPHA
21-029-24-41-0016	929 4 th Ave. N.	MPHA
21-029-24-42-0004	300 Fremont Ave. N.	Glendale 7th Day Advent Church
21-029-24-43-0073	1138 Glenwood Ave.	Lake Region Conf Assoc of S/D/A/Glendale
*multiple addresses		

Properties which are excluded from the district (per the boundary map), but which were inadvertently omitted in the excluded section of the original TIF plan are listed below.

<u>PIN No.</u>	<u>Address</u>	<u>Owner</u>
21-029-24-42-0015	1230 Glenwood Ave. N.	Glenwood Management & An.
21-029-24-42-0014	1220 Glenwood Ave. N.	Alfred J. Berreau
21-029-24-42-0013	1210 Glenwood Ave. N.	Data Prop/Mn General Partnrship
21-029-24-42-0019	301 Fremont Ave. N.	L. Florian/T. Gallagher
21-029-24-42-0003	1128 Glenwood Ave. N.	R. Weiser Trustee
21-029-24-43-0072	1118 Glenwood Ave. N.	R. Weiser Trustee
21-029-24-43-0077	275 Dupont Ave. N.	MN Bearing Co.
21-029-24-43-0006	1100-04 Glenwood	MN Bearing Co.
21-029-24-41-0002	1004 Glenwood	A. H. Bennett Co.
21-029-24-41-0003	900 Glenwood	A. H. Bennett Co.
21-029-24-41-0012	320 Bryant Ave. N.	Herbert Marks
21-029-24-41-0011	300 Bryant Ave. N.	D.E. & B Rahallo, Trustee
21-029-24-41-0010	800 3 rd Ave. N.	Herbert Marks
21-029-24-44-0045	810 Glenwood	Market Sq West/Intl Mkt Sq
21-029-24-44-0044	746 Glenwood	Market Sq West/Intl Mkt Sq
21-029-24-44-0043	275 Market St	Market Sq West/Intl Mkt Sq
21-029-24-44-0042	700 Glenwood	Mkt Sq East/Intl Mkt Sq
21-029-24-41-0021	301 Lyndale	Mkt Sq East/Intl Mkt Sq

**(3) The Most Recent Net Tax Capacity of Each Parcel Included in the District ~
No Changes**

**(4) Budget Containing Estimated Tax Increment Collections and Expenditures
~ Text Changed**

Up-front project costs of the district, which will be paid for with tax increment collections from the district, may not exceed \$12,000,000. It is currently anticipated that such costs will be funded by City-issued tax increment bonds. As tax increment is collected from the district over time, such collections will be used to repay bond principal and interest, and pay administrative costs of the district.

A tax increment budget for the district is shown below. This budget represents only a portion of the overall project budget for the Heritage Park project. The overall development budget contains many other sources and uses of funds that were illustrated in Exhibit C to the original TIF plan, and has continued to change and evolve since that time.

Tax Increment Budget

		<u>Up Front</u>	<u>Over Time</u>
<u>Sources</u>			
	Par Amount of Bonds	\$12,000,000	---
	Tax Increment	---	\$23,500,000
	Capitalized Interest	---	<u>2,500,000</u>
Total Sources		\$12,000,000	\$26,000,000
<u>Uses</u>			
	Land Acquisition, Relocation, Demolition, Pollution Remediation, Site Improvements, Public Improvements, Other Eligible Costs	\$9,250,000	---
	Capitalized Interest	2,500,000	---
	Costs of Issuance/Discount	250,000	---
	Bond Principal Payments	---	12,000,000
	Bond Interest Payments	---	9,300,000
	Administration	---	4,700,000
Total Uses		\$12,000,000	\$26,000,000

- (5) **Estimates of the Sources of Revenue ~ *No Changes***
- (6) **Statements of the Alternate Estimated Impacts of the District ~ *No Changes***
- (7) **Development Activity for Which Contracts Have Been Signed**

As of the date of the preparation of this Modification, the Minneapolis Community Development Agency, the City and the MPHA have entered into a Master Development Agreement with McCormack Baron & Associates (the "Developer"), and development agreements for the Phase 1 and Phase 2 rental components of the project. The City and MCDA have also entered into Joint Powers Agreements for Phases 1 and 2 with MPHA and the City and MPHA executed a Cooperation Agreement for each phase as well.

At the financial and real estate closings for each rental phase, the MPHA has entered or will enter into a Ground Lease, Regulatory and Operating Agreement and related agreements with the limited partnership formed by the Developer to own and operate the improvements for at least 61 years. The land will continually be owned by MPHA.

Affected neighborhoods are in the process of a 45-day review period of housing proposals for Heritage Park. Ownership housing construction is expected to start this year and finish by 2009.

- (8) Description of Financing ~ *No Changes***
- (9) Duration of District ~ *No Changes***
- (10) Fiscal Disparities Election ~ *No Changes***
- (11) Original Tax Capacity Rate ~ *No Changes***
- (12) LGA/HACA Penalty Exemption ~ *No Changes***